

## **Concerns With Proposed No-Fault Auto Legislation**

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## **Concerns With Proposed No-Fault Auto Legislation**

- **Background**
  - **My Wife Had An Auto Accident In 2004**
    - Results were limited use of left arm
    - Injury to her spine (Vertebrae)
    - Broken Collar Bone
    - Still deals with excessive pain
  - **Extensive Medical and Prescription Drug Costs**
    - No Fault has paid all of the accident related costs
    - Medical Costs have exceed \$600,000
    - She continues to receive benefits from the no fault insurance

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## **Concerns With Proposed No-Fault Auto Legislation**

- **Current situation**
  - **Proposed legislation revises unlimited liability coverage**
    - **Proposes different coverage limits to be chosen by customers**
    - **Limited Insurance Coverage: for seniors, disabled people and those who do not drive resulting from statutorily mandated minimum coverage for non-motorists who have no household auto insurance coverage**

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## **Concerns With Proposed No-Fault Auto Legislation**

- **Current situation**
  - **Proposed legislation revises unlimited liability coverage**
    - **“In order to gain perspective on the amount of PIP that policy holders purchase in practice, AEG\* contacted multiple insurers in no-fault states other than Michigan. Auto insurers estimated that 95% of their policyholders opt for the minimum PIP coverage required by their state. AEG conservatively estimates that 75% to 95% of drivers in Michigan would purchase less than lifetime limit PIP coverage.”**
  - **Medical health insurance, Medicare, and Medicaid would need to fill the gap when PIP limit is reached**

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\*Anderson Economic Group

## **Concerns With Proposed No-Fault Auto Legislation**

### **Conclusions by \*Public Sector Consultants**

Care and treatment for an individual suffering a catastrophic motor vehicle-related injury such as traumatic brain injury, can cost hundreds of thousands during the first year following the injury and more than a million dollars on average over the injured person's lifetime.

Michigan drivers pay only \$23 more than the national average for liability coverage, but they receive far more in benefits compared to drivers in other states.

Without adequate personal protection insurance to cover the costs incurred, the costs associated with catastrophic motor vehicle-related injuries will be shifted to other payers—including the victims and their families, publicly-funded programs (including Medicaid, Medicare, and Social Security disability), and health care providers in the form of uncompensated care.

Uncertainties regarding the various possible payment sources and the range of severity of motor vehicle-related injuries make it impossible to accurately predict the future additional cost burden for the Michigan Medicaid program if changes are made in the current requirement for personal protection insurance, but there is enough information available to suggest that the impact could easily exceed \$30 million for long-term care in the first year alone.

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## **Concerns With Proposed No-Fault Auto Legislation**

### **• Unintended Consequences**

- **Increased Taxes:** resulting from a massive cost shift from no-fault insurance to Medicaid and Medicare
- **Increased Health Insurance Costs:** resulting from massive cost shifts from no-fault insurance to health insurance coverage's.
- **Increased Litigation:** resulting from victims suing at fault drivers for unfunded medical care
- **Increased Insurance Premiums:** resulting from the need to purchase higher liability insurance to protect consumers from increased exposure to liability for a victims unfunded medical expenses

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### **\*Impact to Medicaid**

- Powers of Public Sector Consultants said that once drivers who are injured in a catastrophic auto accident use up their benefits and run out of money, they could tap into Medicaid, Medicare, Social Security disability or private insurance. But those benefits would be less rich than in the current system.
- "If the program changes and benefits are reduced, there is a potential for cost shifting to other payers, individuals, families, public programs like Medicaid and Social Security and uncompensated care to providers," Powers said.
- Each year, 500 Michigan drivers suffer a catastrophic auto accident that requires long-term care in a skilled nursing or rehabilitation center. If those drivers became Medicaid-eligible, the long-term care costs alone would total about \$30 million in the first year, Powers said.

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\*Public Sector Consultants

### **Impact to Families on Medicaid**

- If Medicaid is the safety net then to be eligible for Medicaid families will need to
  - Spend down their assets and impoverish themselves
    - This will decimate families
    - They could lose their homes, transportation etc
    - They will become a burden to the state of Michigan

## Medicaid Dollars Are Already Strained

- There are several factors leading to the increase in costs.
  - In Michigan, more people have enrolled in Medicaid as the economy has worsened, from just over 1 million in 2000 to 1.24 million in 2002.
  - Because of rule changes, Michigan will be getting less from the federal government for Medicaid in the coming year. The state also has nearly depleted a trust fund established in 2000 to help pay Medicaid costs.
  - In 2007, Michigan ranked 44th in Medicaid spending
    - See charts on next 2 pages
  - Michigan Medicaid spending was \$9.3 Billion in 2007
    - See charts on next 2 pages

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### Medicaid Spending: State Comparisons

There is significant variation in Medicaid spending among states. In 2004, the range was from \$2,264 to \$9,854 per enrollee. In 2004, Michigan was at \$4,199, slightly lower than the U.S. average of \$4,575.\*

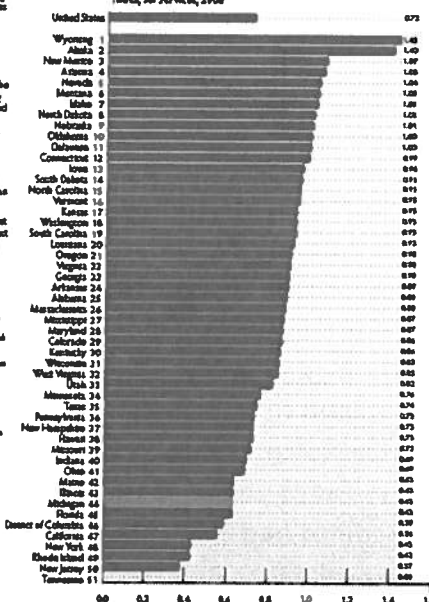
There are many reasons for the differences in state spending levels. Eligibility, benefits, and reimbursement policies all vary by state. The Medicaid-to-Medicaid physician fee index (Figure 2) removes the effect of eligibility and benefit variations and looks only at differences in physician payments.\*

The data in this chart show that Michigan has one of the lowest rates of Medicaid payments to physicians in the country, ranking 44th.

\* Unless indicated and Kaiser Commission on Medicaid and the Uninsured estimates based on data from Centers for Medicare and Medicaid Services reports, March 2009.

\* The Medicaid-to-Medicaid physician fee index measures each state's Medicaid physician fee relative to national average Medicare fee. A ratio greater than 1.0 indicates that state's physician fees are greater than the national average, a ratio lower than 1.0 reflects less generous payments.

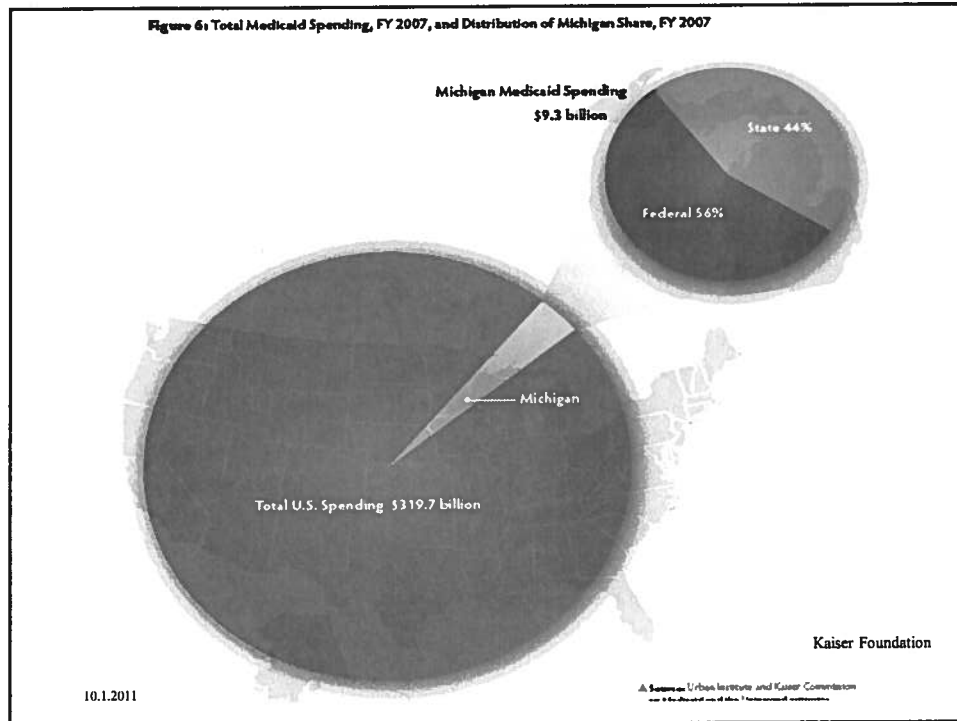
Figure 2: State Comparisons, Medicaid-to-Medicaid Physician Fee Index, All Services, 2008



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A Kaiser Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from Centers for Medicare and Medicaid Services reports, March 2009.



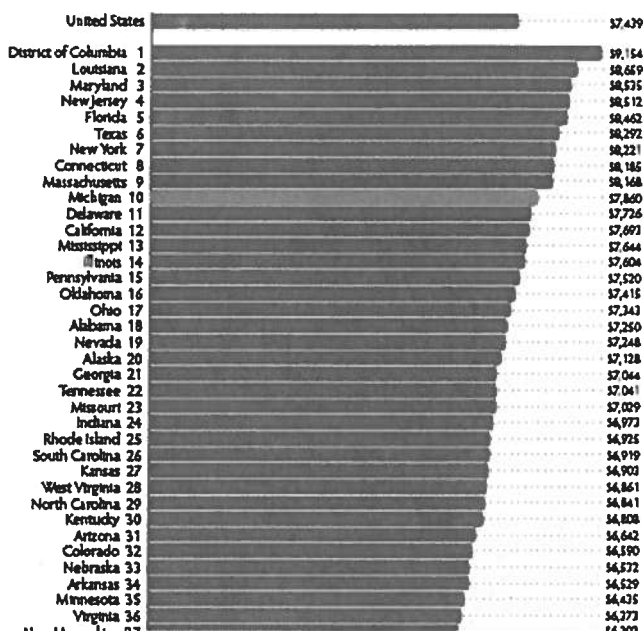
## Impact to Medicare

- From 1970 to 1996, total federal expenditures for Medicare grew from \$8 billion to \$203 billion.
- By 1996 Medicare alone accounted for almost 20 percent of total health care costs, which had reached \$1 trillion (more than 14 percent of the gross domestic product); Medicaid (including state and federal spending) accounted for more than 14 percent of total health care costs.
- In 2004, Michigan ranked as the 10th highest state in Medicare spending
  - See chart next page
- The solvency of Medicare is already a huge issue for both the Federal and State governments
- This proposal adds to an already strained system

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In 2004, per capita spending for Medicare in Michigan was higher than the national average – \$7,860 compared to \$7,439 for the U.S. overall – making Michigan the 10th highest state in Medicare spending. In 2004, per capita spending for Medicare among all states ranged from \$5,640 to \$9,154.

Figure 5: State Comparisons, Medicare Spending per Enrollee, 2004



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## Conclusion

- **This proposal represents a cost transfer to health care programs in Michigan. This will result in higher health care payments for everyone and or put Medicare and Medicaid at an even greater risk of financial solvency**

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